

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 NEA-10 IO-13 ISO-00 EB-08 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 COME-00 DODE-00

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FM AMEMBASSY PRETORIA

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INFO AMEMBASSY LONDON

AMEMBASSY TEHRAN

USMISSION USUN NEW YORK

AMCONSUL JOHANNESBURG POUCH

AMCONSUL CAPE TOWN POUCH

AMCONSUL DURBAN POUCH

AMEMBASSY GABORONE POUCH

AMEMBASSY MBABANE POUCH

AMEMBASSY MASERU POUCH

C O N F I D E N T I A L PRETORIA 5268

E.O. 11652: GDS

TAGS: EGEN ENRG SF

SUBJ: EFFECT OF OIL EMBARGO ON SOUTH AFRICA

BEGIN UNCLASSIFIED

1. SUMMARY: A REPUTABLE SOUTH AFRICAN FINANCIAL WEEKLY PREDICTS THAT SOUTH AFRICA COULD SURVIVE AN OIL EMBARGO UNTIL ITS COAL GASIFICATION PROJECT COMES ON STREAM IN 1980. CURRENT SOUTH AFRICAN DEPENDENCE ON IRANIAN OIL IS ESTIMATED AT 80 PERCENT. END SUMMARY

2. FINANCIAL MAIL OF SEPT. 30 CARRIED ANALYSIS OF EFFECT OF AN OIL EMBARGO AGAINST SOUTH AFRICA. WHILE HIGHLY SPECULATIVE IN VIEW OF SECRECY OF ALL STATISTICS RELATING
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TO OIL MOVEMENTS AND USAGE, CONCLUSIONS MAY BE OF SOME INTEREST.

3. ARTICLE ESTIMATES SA USAGE AS 320,000 BARRELS/DAY OR 15.4 MILLION METRIC TONS A YEAR. FOREIGN EXCHANGE COST IS THUS NEARLY R1,300 MILLION (\$1.5 BILLION).

4. FOUR MAJOR REFINERIES IN SA PRODUCE 60 PERCENT LIGHT AND MIDDLE DISTILLATES AND 25 PERCENT HEAVY OILS. CURRENT UPGRADING OF REFINERIES SHOULD RESULT IN 69 PERCENT LIGHT AND MIDDLE DISTILLATES AND 16 PERCENT HEAVY BY 1980.

5. RESERVES ARE ESTIMATED AT 42 MILLION METRIC TONS OR OVER TWO AND ONE-HALF YEARS SUPPLY. ARTICLE SAYS, HOWEVER, THAT WITH STRICT RATIONING, REDUCTION OF UNESSENTIAL RAIL AND AIR SERVICE AND REFUSAL TO BUNKER PASSING SHIPS, RESERVES COULD BE STRETCHED TO FOUR YEARS WHEN SASOL II COAL GASIFICATION WILL BE ON STREAM. SASOL II COULD PRODUCE 25-28 PERCENT OF LIGHT REQUIREMENTS AT TODAY'S USAGE BUT, BECAUSE ESTIMATES ARE CONSERVATIVE, MIGHT INCREASE THIS BY 20 PERCENT WITHIN TWO YEARS.

6. ARTICLE ASSERTS THAT IRAN, WHICH OWNS 17 PERCENT OF NATREF REFINERY, HAS STATED CATEGORICALLY IT WILL NOT USE OIL AS A POLITICAL OR COMMERCIAL WEAPON. ALSO WITH WORLD OIL SUPPLIES IN HEAVY SURPLUS, A BLOCKADE WOULD BE EXTREMELY DIFFICULT TO ENFORCE. END UNCLASSIFIED

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7 COMMENT: WHILE ARTICLE PRESENTS A THEORETICAL SCENARIO FOR SURVIVING AN OIL EMBARGO, WE DOUBT THAT SAG TAKES SUCH AN IMPASSIVE VIEW OF THE POSSIBILITY. EVEN IF NECESSARY ADJUSTMENTS COULD BE MADE TO ECONOMY TO ABSORB CONFIDENTIAL

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OIL CUTOFF, PSYCHOLOGICAL EFFECT AMONG FOREIGN AND DOMESTIC BUSINESS INTERESTS WOULD BE DEVASTATING.

8. RE OIL STOCKPILE, WE ESTIMATED IN EARLY 1976 (JOHANNESBURG A-11) THAT SAG HAD TWO YEAR SUPPLY IN WITBANK UNDERGROUND STORAGE AT NORMAL USAGE. WE HAVE ALSO ESTIMATED A HIGHER OUTPUT FROM SASOL II OF 40 PERCENT OF LIGHT FUEL REQUIREMENTS AT 1976 USAGE AND 25 PERCENT OF 1980 REQUIREMENTS.

9. WHILE PRODUCTION AT SASOL I WAS EVENTUALLY BROUGHT UP THROUGH RE-DESIGN, THIS WAS MANY YEARS AFTER INITIAL DISAPPOINTING RESULTS. IT WOULD BE UNUSUAL IF SASOL II FULFILLED DESIGN EXPECTATIONS RIGHT FROM START-UP. WE DO HAVE UNCONFIRMED REPORTS THAT SAG IS PRESSING FOR COMPLETION OF SASOL II AHEAD OF OFFICIAL DATE OF 1980 AND HAS INSISTED THAT FLUOR TURN OVER ENGINEERING DRAWINGS AND TECHNICAL DATA BY END OF THIS YEAR, PRESUMABLY AS INSURANCE AGAINST POLITICALLY IMPOSED PULLOUT OF AMERICAN FIRM.

10. WE HAVE SEEN ESTIMATES OF SOUTH AFRICAN DEPENDENCE

ON IRANIAN OIL RANGING FROM 40 PERCENT TO 98 PERCENT.
WE NOTE FROM TEHRAN 7841 THAT IRAN EXPORTED 12.3 MILLION
LONG TONS OF CRUDE TO SOUTH AFRICA IN CY 1976.
ACCEPTING FINANCIAL MAIL FIGURE OF 15.4 MILLION
METRIC TONS OF SA IMPORTS, WHICH IS ROUGHLY IN LINE WITH
EARLIER ESTIMATES, THIS WOULD REPRESENT AN 80 PERCENT
DEPENDENCE ON IRAN.
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